



WEEKLY ECONOMIC DIGEST

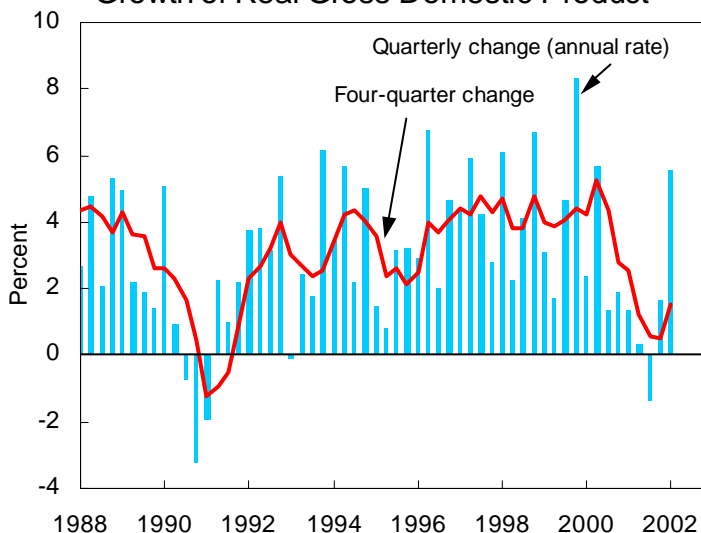


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – VICE CHAIRMAN

June 4, 2002

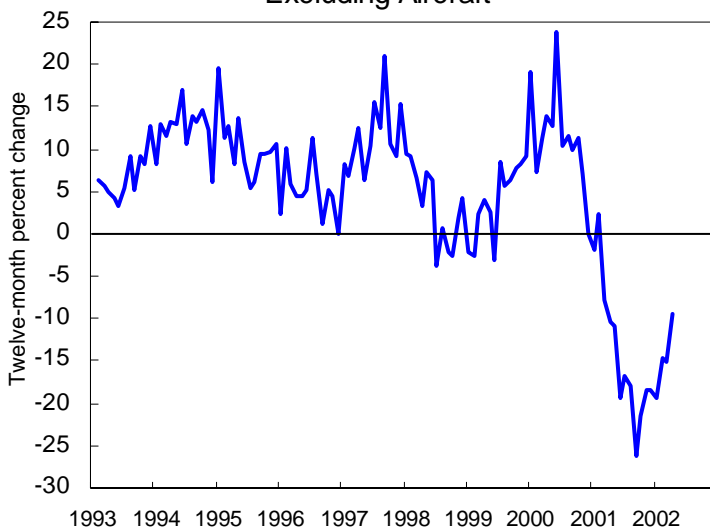
Signs of Growth Spur Continued Optimism

Growth of Real Gross Domestic Product



Source: Bureau of Economic Analysis, U.S. Department of Commerce.

New Orders for Nondefense Capital Goods
Excluding Aircraft



Source: Census Bureau, U.S. Department of Commerce.

- **Revised estimates confirm the economy's first-quarter strength.** Real (inflation-adjusted) gross domestic product (GDP) grew at an annual rate of 5.6 percent in the first quarter, according to revised estimates from the Department of Commerce. Although slightly below the Department's initial estimates, that growth was strong enough to lift GDP 1.5 percent above its level of a year earlier. Estimated first-quarter growth in nonfarm business productivity was nudged down to a still very robust 8.4 percent annual rate.
- **Household spending rose in April.** Real (inflation-adjusted) consumer spending rose at an annual rate of 1.9 percent last month, to 3.2 percent above last April's level. Expenditures on consumer durables increased sharply, largely as a result of strong vehicle sales. Housing demand also remained strong. Sales of new homes rose to a level that was 1.6 percent higher than a year ago, and sales of existing homes neared record levels.
- **Consumer confidence rose in May.** Consumers remained relatively confident about the economic recovery, according to surveys conducted by the Survey Research Center of the University of Michigan and the Conference Board. However, each of those independent surveys showed that consumers expect the overall rate of economic growth to slow somewhat. In addition, many consumers remained concerned about future job prospects.
- **A leading indicator of business investment rose in April.** New orders for capital goods (excluding the highly volatile defense and aircraft categories) rose by 4.0 percent in April (though they were 9.4 percent below year-ago levels). That gain provides reason for optimism that a recovery in capital spending might take hold during the second half of the year. That momentum is likely to have continued in May, according to leading surveys of purchasing managers. Those surveys showed continued increases in the pace of new orders and production. However, purchasing managers also reported that employment continued to decline and that prices paid increased last month.

Economy At A Glance	May	Apr	Mar	Feb	2002 Qtr 1	2001 Qtr 4	2001 Qtr 3	2001 Qtr 2	2001	2000
Economic Activity										
Real GDP (% growth)					5.6	1.7	-1.3	0.3	1.2	4.1
Industrial Production (% growth)		4.9	4.9	3.7	2.6	-6.7	-4.7	-5.9	-3.9	4.5
Capacity Utilization (Level, %)		75.5	75.3	75.0	75.0	74.7	76.2	77.4	76.8	81.8
Civilian Unemployment Rate (Level, %)*		6.0	5.7	5.5	5.6	5.6	4.8	4.5	4.8	4.0
Housing Starts (Thousands)		1555	1644	1788	1715	1573	1603	1624	1603	1569
Real Disposable Personal Income (% growth)		-0.9	2.2	7.0	13.8	-8.1	12.3	2.4	3.6	3.5
Retail Sales (% growth)		15.8	0.6	6.8	-2.3	12.9	-0.9	4.1	3.8	6.7
Personal Saving Rate (Level, %)		2.8	3.0	2.8	2.9	0.4	3.8	1.1	1.6	1.0
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)		6.2	3.7	2.4	1.4	-0.3	0.7	3.1	2.8	3.4
Core CPI-U Inflation (% growth)		3.7	1.2	3.7	2.3	2.7	2.7	2.4	2.7	2.4
Compensation per Hour (% growth)					3.6	4.2	3.7	4.0	4.1	4.5
Output per Hour (% growth)					8.4	5.5	1.1	2.1	1.9	3.3
Financial Markets										
T-Bill Rate, 3-month (Level, %)	1.7	1.7	1.8	1.7	1.7	1.9	3.2	3.7	3.4	5.8
T-Note Rate, 10-years (Level, %)	5.2	5.2	5.3	4.9	5.1	4.8	5.0	5.3	5.0	6.0
Federal Funds Rate (Level, %)	1.8	1.8	1.7	1.7	1.7	2.1	3.5	4.3	3.9	6.2
Dow Jones Industrial Avg (Index Level)	10080	10165	10501	9891	10105	9641	9934	10669	10189	10735

Sources: Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

* Subject to revision this week.

Upcoming Economic Releases:

- **Vehicle Sales, May** [Release: Wednesday, June 5, 2002]
- **The Employment Situation, May** [Release: Friday, June 7, 2002]
- **Consumer Credit, April** [Release: Friday, June 7, 2002]
- **Wholesale Trade, April** [Release: Friday, June 7, 2002]